

## REPORTING

### **Note 1 - Summary of Significant Accounting Policies**

The (official name of the government) was incorporated on (date) and operates under the laws of the state of Washington applicable to a (type of government). [1] The (city/county/district) is a (general/special) purpose local government and provides (list major types of services). [2]

The (city/county/district) reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

#### A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

#### GOVERNMENTAL FUND TYPES: [3]

##### General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

##### Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

##### Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

##### Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

##### Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES: [3]

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES: [3]

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the (city) [4] also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets [5]

The (city/county/districts) adopts (annual/biennial) appropriated budgets for \_\_\_\_\_[6] funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). [7] The budget constitutes the legal authority for expenditures at that level. (Annual/biennial) appropriations for these funds lapse at the fiscal year end.

(Annual/biennial) appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow: [8]

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
Total General Fund	\$	\$	\$
..... Fund	\$	\$	\$
..... Fund	\$	\$	\$
..... Fund	\$	\$	\$

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the (city/county/district's) legislative body. [9]

#### D. Cash and Investments

See Note X, *Deposits and Investments*.

#### E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$\_\_\_\_ and an estimated useful life in excess of \_\_ years. Capital assets and inventory are recorded as capital expenditures when purchased.

#### F. Compensated Absences

Vacation leave may be accumulated up to \_\_ days and (is or is not) payable upon separation or retirement. Sick leave may be accumulated (indefinitely or up to X hours). Upon separation or retirement employees (do or do not) receive payment for unused sick leave. Payments are recognized as expenditures when paid.

#### G. Long-Term Debt

See Note X, *Debt Service Requirements*.

#### H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of \_\_\_\_\_. [10]

#### I. Risk Management [11]

#### J. Reserved Portion of Ending Cash and Investments [12]

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions

on use imposed by external parties or due to internal commitments established by \_\_\_\_\_.  
When expenditures that meet restrictions are incurred, the (city/county/district) intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of \_\_\_\_\_.

### INSTRUCTIONS TO PREPARER

[1] For *type of government* describe the legal formation of your government, such as *second-class city with a mayor-council form of government*.

[2] For *major types of services*, summarize the functions that your government performs, such as:

*Public safety, fire prevention, street improvement, parks and recreation, health and social services, and general administrative services. In addition, the (city/county/district) owns and operates a sewer system.*

[3] Eliminate labels and descriptions of any funds that your government does not use.

[4] Counties that elected under RCW 36.40.200 to allow appropriation account to remain open after the end of the fiscal year should include the following disclosure:

*In accordance with state law, the (county) also recognize expenditures paid during (number of days) after the close of the fiscal year for claims incurred during the previous period.*

[5] The note is applicable only if the city/county/district is legally required to appropriate its expenditures. The data in the matrix should match the amounts in the city/county/district's budget document (i.e., ordinance, resolution, etc.). If the city/county/district adopts budgets for the managerial funds that are combined for the financial presentation, the note should disclose the legally adopted budgets information.

[6] List the funds for which the city/county/district adopts appropriated budgets.

[7] If the city/county/district adopts budgets on a level other than fund, list the funds and describe the level.

[8] Present general fund budget on the department level only if the city/county/district legally approves the budget on that level.

Also, if in any of the proprietary funds the budget is legally approved on a level lower than fund (e.g., activities, etc.) the government needs to present the budgeted information on that level.

[9] Provide a description, including affected fund(s) and amount(s), of any material budget transfers or amendments during the fiscal year. If there are significant variances, provide an explanation.

[10] Describe the type(s) of *Other Financing Sources* or *Uses*. Examples:  
Special assessment bonds proceeds,  
Proceeds from refunding bonds,  
Capital leases, etc.

[11] Indicate whether you individually self-insure, individually purchase commercial insurance policies, participate as a member of a joint insurance pool, or use a combination of the above.

Provide a sufficient amount of information (e.g., the type of coverages, type of funds to account for risk management activities, the expected annual claims, name of insurer, amount deductible, etc.) to inform the reader of your financial statements about the risk management activities of your entity. If your government is a member of a public entity risk pool, disclose where the reader can obtain the risk pool's financial statements.

- [12] In relation to internal commitments, describe the government's highest level of decision-making authority and the formal action required to establish, modify or rescind a fund balance commitment. For example: "...by ordinance or resolution of the City Council."

If the government reports any reserved amounts of ending cash and investments, it should describe the specific purposes (not functions) and amounts of these reservations.